HSZ China Fund

Figures as of March 31, 2008

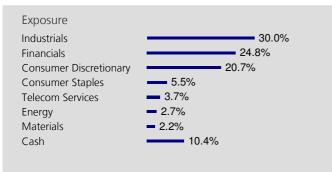
Net Asset Value

Per Share: USD 94.06, CHF 75.21, EUR 76.41 Market Capitalization: USD 92.8 million



Performance		

Largest Holdings	
China Merchants Bank	10.3%
Epure International	9.1%
Fu Ji Food & Catering	7.7%
Shui On Land	5.1%
China Infrastructure	4.9%
Esprit	4.6%



Newsletter March 2008

- Acceleration of inflation in February
- Fu Ji Food & Catering reported 53% increase in turnover
- ZhongDe Waste Technology signs contract for waste incinerator plant
- Ports Design surprises on upside
- China Infrastructure reported margin contraction in 2007

February CPI inflation rose to 8.7% year-on-year as the festive holidays kept food prices high and this was exacerbated by the snowstorm during the month. Export growth fell to 6.5% year-on-year from 26.7% in January, while import growth rose to 35.1% from 26.7%. This lower than expected February trade surplus figure and slower pace of export growth may reduce the necessity of further hikes. However, any policy action will depend on the degree of inflationary pressures.

During the 9 months ended December 31, 2007, Fu Ji Food & Catering's turnover was up 53% year-on-year to CNY 1.3 billion and net profit was up 16% to CNY 318 million. While gross margin was up 1 percentage point to 59% on higher utilization, operating margin was down 6 percentage points year-on-year to 32% on higher rental, depreciation and staff expenses. As of December 31, 2007, Fu Ji produced a total of 700'000 sets of meals daily, representing 34.6% growth compared to the same period last year. Valuation of the company is uncompelling at 9 times March FY2009 earnings. We remain positive on the long-term growth potential of the company.

ZhongDe Waste Technology announced that the group has signed general contracts for the Datong waste disposal and electricity generation project. The Datong project comprises designing, purchasing, manufacturing, construction and commissioning of a 1000 tons/day waste incinerator plant with 30 MW electricity generation. The total contract amounts to approximately EUR 30 million, part of which is expected to contribute to the 2008 revenue and earnings. This is the first project where ZhongDe will install complete sets of incineration plants with electricity generation on a larger scale. This represents a significant milestone in the expansion into the large scale incineration market.

Ports Design reported strong results for the year ended December 31 2007, with net profit up by 56% year-on-year to CNY 397 million and gross profit up by 32% to CNY 969 million. Gross profit margin improved mainly helped by enhanced brand image and increase in the overall average selling price. With strong retail sales growth, improving retail margin and increasing benefits of economies of scale, management expects operating results to remain strong this year.

China Infrastructure Machinery reported a 43% growth in revenue, slightly better than expectations, driven by strong volume sales of wheel loaders. However, net profit was up by only 1% year-on-year squeezed by significant hikes in steel price during the year. Management guided that they have increased the average selling price twice in the first quarter of 2008, which should be able to weather the rise in steel price. We will continue to monitor the stock and will be speaking to management to assess their ability to manage margins going forward.

General Information

Characteristics

Launch

Fund Name HSZ China Fund Structure Open-end

Swiss investment fund, "Kategorie: Übrige Fonds"

Approved August 2006 by Federal Banking

Commission (EBK) November 2006

Fund Volume Launched at USD 130 million

Fiscal Year End December 31

Reporting Semi-annually in USD

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 Currency Classes
 USD, CHF, EUR (all unhedged)

 ISIN, Valor USD-Class, WKN
 CH0026828035, 2682803, A0LC13

 ISIN, Valor EUR-Class, WKN
 CH0026828092, 2682809, A0LC14

 ISIN, Valor CHF-Class, WKN
 CH0026828068, 2682806, A0LC15

Issue price (all classes) 100

Distributions Income annually

Issuance/Redemption Daily

Management Fee 1.5% annually

Performance Fee 10% above hurdle rate of 5%,

high water mark Maximum 5%

Information

Issuance Fee

Bloomberg

Prospectus/By-Laws Available upon request
Publication of NAV (daily) www.hszgroup.com

www.aigprivatebank.com Neue Zürcher Zeitung (NZZ) HSZCHIFD, HSZCHEUR, HSZCFCHF

Monthly Reports Subscription

Fund Administrator AIG Fondsleitung (Schweiz) AG

Custodian Bank AIG Private Bank AG

Investment Manager HSZ Group

Main Distributor HSZ (Schweiz) AG

Auditors PricewaterhouseCoopers AG

Subscriptions All Banks

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Investment Opportunity

Once the world's largest trading power, China's gradual decline during the second millennium culminated in the Maoist purgatory. However, since the 1980s economic development has taken center stage. China has become the engine of the fastest growing region in the world attracting substantial foreign investments and developing into the world's manufacturing hub. Furthermore, an increasing middle class is fuelling demand for consumer products. The growth momentum is set to continue as China strives to catch up with mature economies, producing attractive investment opportunities.

Investment Strategy

The objective of HSZ China Fund is to create sustained shareholder value by acquiring and managing equity and equity-linked investments in a select number of high-quality companies that are rooted in China. At least two-thirds of the total assets are to be invested in companies which are domiciled in China or participate as holding companies in enterprises domiciled there. At most one-third of the total fund volume can be invested in equity oriented stocks and money market instruments of issuers worldwide. Based on fundamental analysis and a bottom up approach, investment opportunities are identified that are assessed to provide above-average return on invested capital, have strong earnings per share growth and are priced attractively.

Risk Management

The Chinese stock market has many of the particular risks and characteristics of emerging markets. HSZ Group exerts itself for reducing specific risks by accurately screening and monitoring high quality assets. That is why the long-lived experience of its specialists based locally is invaluable for investors. The fund is well diversified by investing in at least 15 companies. Each position represents a weight of between 5 to 10% of total assets with a maximum limit of 15%. No portfolio leverage is employed. The fact that HSZ China Fund invests in listed equity provides the investor with a reasonable degree of liquidity.

Investment Manager

HSZ Group is an independent investment management company with offices in Hong Kong and Zurich. The company is majority owned by its partners and employs a total staff of thirteen. The team has managed Asian equity portfolios since 1994. HSZ Group acts as a bridge for European capital invested in Asia and has a long-standing experience in serving institutional and private clients in Europe.

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